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A speech by Sir Tom McKillop, Chief Executive, AstraZeneca at Advancing Enterprise 2005.

Advancing enterprise: creativity and innovation.

Secretary of State, ladies and gentlemen, good afternoon. One of the nice things about speaking last is that the earlier speakers have done all the hard work. The downside, however, is that you are conscious you are speaking just before the really important part of the session, the Qs & As.

For both reasons, I shall be succinct. I don't need to re-emphasise the importance of innovation which is the key driver of progress in society and, indeed, of wealth creation. Neither do I need to spell out the particular importance of innovation to the developed world because it is clear that it is in the innovation race that we must compete successfully. I have, however, given some thought to what are the conditions, the requirements if you will, for successful innovation. You can look at this many, many ways but I've grouped them into two sets.

The first is around skills, training, investment in R&D and so on. These are very important and, while there's no room for complacency, I think it's fair to say that the governments of developed countries, and certainly here in the UK, have recognised the importance of these requirements, and have taken quite a lot of steps to try and ensure we're competitive, most recently with the 10-year framework for science and innovation.

The second grouping is more to do with motivation. Is the environment right and is the market responsive to innovation? It's to this grouping I will address just a few remarks. I would like to ask the question, how does the UK and Europe stack up in this context? What kind of environment do we have here?

Let me be quite direct. I believe that Europe has become too comfortable, too complacent, much too focused on social equity, conserving what we have rather than innovating. Wealth creation and job creation are not being placed sufficiently at the heart of our activities here in Europe. The precautionary principle dominates in this environment and has translated into waves of regulation and protectionism of all sorts.

The US historically has been very responsive to innovation. Technology parks sprang up everywhere and there was an environment around them which welcomed innovation and translated the ideas into market opportunities very quickly and very successfully. However, I believe the US is catching the European disease. Risk aversion has raised its head in a big way in the US environment, and it's made even worse in the US because there is a blame-and-sue culture, and I truly believe that, if there is one Achilles' heel threatening the phenomenal success of the US economy, it's their legal system and it's inadequacies. I can assure you that China and India and other emerging economies have no such hang-up about risk aversion. Large global companies can adapt. They have already moved much, perhaps even most, of their

manufacturing to the low-wage economies. Large companies can also move their R&D, and in no way should we under-estimate the enormous talent, both in quantity and quality, of countries like China and India. However, most innovation actually takes place in smaller organisations, and these cannot move so easily, so the real competition in the future is going to be amongst the small organisations in the South East of England or the North West, or even Scotland, with small organisations in the emerging economies such as India and China.

I believe that we really need to think very hard about how we create the right regional conditions in these more local environments in order to foster innovation and translate that through to appropriate market opportunities. We must focus on benefit/risk, not just on risk, and we need a really vigorous public debate on these matters. We need the media's engagement in facilitating this public debate about benefit/risk. We have many regulatory authorities which are under enormous pressure because they get kicked stupid every time there is a publicly perceived risk. In my view, this is what is creating the risk aversion, and I would suggest that we need to stand alongside regulators in helping them to balance that benefit/risk, and only if we get the overall environment right will we succeed in a developed country like the United Kingdom.

Thank you.

Tom McKillop